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Teamsters

5 slumlord empires linked by legal maze

MOE FORMAN could be the typical example of the American success story.

The son of immigrant parents, he came to Chicago when he was 12 and lived nearly half his life among the tenements and factories of the West Side.

He attended none of the prestige schools on his way to a law degree. He is a product of the public schools who worked his way thru Central YMCA College and John Marshall Law School.

Today Forman commutes between his law office at 77 W. Washington St. and his unpretentious home at 7400 N. Washtenaw Av., secure in the knowledge that all the effort has been worth it. At one time he was estimated to have more than a million dollars in assets.

As with all millionaires, Moe Forman's story is how he made his fortune. He did it with slums.

But unlike many self-made men, Forman is not fond of discussing how he made his

Task Force report

The Tribune's Task Force for four months investigated the city's top 10 slumlords. This second article of the series tells how five of the 10 wove a complex maze that hid a slum empire estimated to contain as many as 2,000 buildings.

The series was prepared and written by David Young, Task Force director, and reporters Pamela Zekman, Jerry Thornton, and Robert Unger.

fortune. That job was performed by Task Force reporters during a four-month investigation of Chicago's slums. It revealed that for the better part of two decades, Forman has been the unseen partner, financier, and lawyer for some of the most ruthless slumlords in Chicago's history.

FORMAN is also the nucle-

us of a small group of men who, working together, exploited the West Side.

They are the slumlords who moved like a reaper thru north Lawndale, piling up huge profits but leaving behind a wasteland of abandoned buildings, rubble-strewn lots, and crushed hopes.

From thousands of court records and legal documents, interviews with scores of men who crossed their paths, and hundreds of city and state records, it has been possible to reconstruct the operations of the five men and their lieutenants as they exploited Lawndale.

After they finished draining every dollar from a slum building, they often left someone else with what remained—a contract buyer, an ailing financial institution, or the city. Most often it was the city, whose officials sat by watching the exploitation, that wound up picking up the tab for demolishing the building. The slumlords simply walked

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EXHIBIT E (2)

Exploited property in Lawndale

Slumlords hide empire in legal maze of names, sales

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away from the charred, abandoned hovels.

THE SADDEST commentary on the exploitation of Lawndale was that it was successful.

The slumlords managed to conceal their operations from the public, the courts, the prosecutors and even their tenants thru a bewildering maze of transactions, nominees, land trusts, and secret deals.

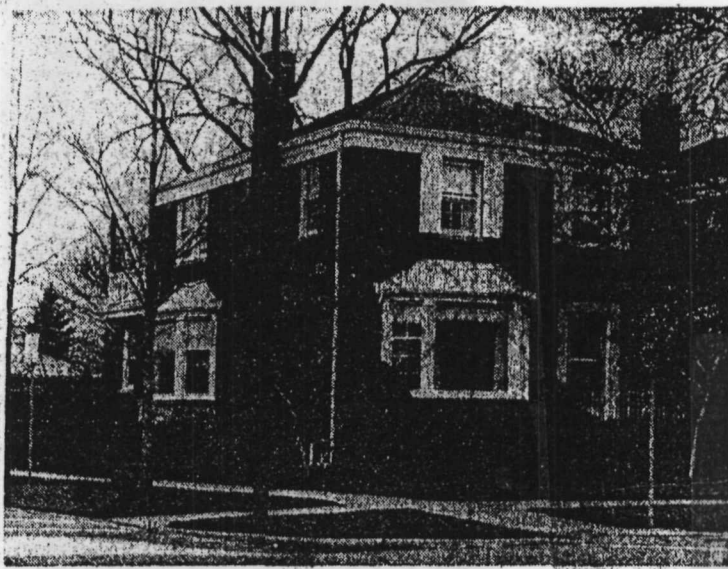
"No one realized it was just one group," conceded Timothy O'Hara, the assistant corporation counsel who fought them in court for more than a decade.

"They had the system figured out. It appeared to be diversified ownership. They were organized."

O'Hara claims to be one of the first men in the city to suspect something was amiss on the West Side. More than three years ago he noticed that Forman represented a seemingly unrelated group of people who owned buildings that were in continual trouble in Housing Court.

Other men in various offices around the city also were becoming suspicious. An investigator for Illinois Senate President William C. Harris began to notice strange relationships between owners of slum property as he prepared for a series of legislative hearings that were later called off.

FIRE INSURANCE industry lawyers began to discover large numbers of fires in heavily insured buildings owned by the same people. Officials of Peoples Gas Co. noted that when gas pipes were cut around their meters to cut on heating costs, the



Moe Forman's home at 7400 N. Washtenaw Av.

Tribune Photo by David Nyström

Could aid bill State Sen. Scholl lauds slum series

State Sen. Edward T. Scholl (R., Chicago) said yesterday that disclosures by The Tribune Task Force on slum empires in Chicago have provided him with material to strengthen his legislative bill seeking to expose slumlords.

The Senate Judiciary Committee will conduct a hearing on Scholl's bill Wednesday, and Scholl yesterday invited the four Tribune Task Force reporters to testify. "The things uncovered by The Tribune Task Force would not have occurred if we had legislation on the books to blow the lid off the political smoke screen of secret [land] trusts," Scholl said. He said his bill would require the disclosure of beneficiaries in land trusts involved in the sale or purchase of land from a taxing body.

Once a smoke screen of secret land trusts, legal maneuvers, and phony names is swept away, Wolf emerges as one of the most ruthless slumlords in the city.

His favorite tactic to avoid prosecution is to hide the ownership of property behind a bewildering array of names—those of his relatives, employees, and nonexistent persons, documents in Federal Court show. Two phony names he has admitted using are George Lapan and George Sierawski. Most often his property appears to be owned by Sylvia Berke, his sister; William Berke, his nephew; and Joseph Berke, a real estate dealer who is his brother in law.

Joseph Berke has also had business dealings with several other slumlords, including Forman and Albert Berland. Wolf's personal friend and business associate in many deals, court records show.

BERLAND, WHO, ostensibly operates a chain of family-run paint and wallpaper stores, is well known to police arson investigators because of the frequency with which his buildings burn. At least 300 slum buildings are known to have passed through his hands in the last decade.

Forman admitted to Tribune reporters that he was Berland's attorney, but said he had stopped representing him two years ago.

In 1969, Berland was convicted of a swindle involving the obtaining of phony credit reports to get federally insured mortgages worth \$200,000 on six of his slums. He now is on probation.

One of the favorite names Berland used to hide his slum operations was Fred Cooper, whose name, Berland testified in Federal Court, was used without Cooper's knowledge. Berland also used the names of several West Side ministers and of Simon Zaritz, a West Side real estate dealer.

When Berland got into trouble on the federal swindle, he transferred title to his property to Zaritz. Zaritz admitted in a deposition.

In various Federal Court documents, Berland described how he got rid of slum property that was no longer profitable:

"Some that I abandoned I gave back to the mortgage companies, and some I just walked away from. And some I decided to contract buyers."

"I walked away from many buildings," he told interrogators.

Another West Side real estate dealer tied to the slum empire is Gilbert Balin, a resident of affluent Oak Brook. Forman told Tribune reporters that he used Balin to manage some F&F Investment Co. property.

Forman also admitted he was a partner with Balin in an enterprise called B&F Investments.

However, Balin admitted in a deposition that he and Forman were partners at various times in 17 buildings. Balin also admitted owning buildings with Berland, with Walker McKus, a West Side hardware store operator, and Herman Zucker, a real estate agent.

The ownership of many of Balin's buildings is concealed behind the maiden names of his wife and sister in law, court records show. Thus, Balin slums show up as being owned by Margaret Novak, his wife, or Patricia Scott or Patricia Brown, both names of his sister in law.

"I don't want any buildings in my name, because when I go to court I don't like them to

into his financial interest in 30 to 40 slums and his management of 300 others.

BALIN IS currently under investigation by the state's attorney's office in connection with a fire bomb found in a South Side building he managed for Victor Spector, another slumlord.

Spector, 64, a veteran in the business, dates to the 1940s, when he started acquiring property, records show. He most often hides ownership behind the name of P. A. McElroy, who ostensibly holds the property in trust.

In the last three years the city has sued Spector in Housing Court to correct violations on 18 buildings he reportedly owned.

Spector claimed to Tribune reporters that he sold his slum buildings last year.

The legal maze set up by the slumlords afforded them unique protection from the courts and almost everyone

else. Examination of the legal documents and hundreds of Housing Court suits shows that they traded property among themselves, using all sorts of legal conduits. The building at 1235 S. Avers Av. is a classic example:

Fushanis originally acquired it during his massive buying spree in the late 1950s and early 1960s. After his death, it wound up in Forman's F & F Investment Co. portfolio as part of the settlement of Forman's claim against the Fushanis estate.

FORMAN claimed in a July 14, 1967, petition to Probate Judge Robert Jerome Dunne that the contract buyer for the property had disappeared, leaving him with a \$9,000 mortgage.

The solution agreed on by Forman, the administrators of the estate, and Dunne was to dump the building back on the First Mutual Savings Association—the firm that held the mortgage. First Mutual actual-

ly paid F & F \$1,250 in lieu of foreclosure to get the building back, according to an order by Dunne transferring the property.

Documents in the County Recorder's office show that the secret land trust in which the ownership of the property was concealed and First Mutual transferred the property on Oct. 18, 1967, to Patricia Brown, Balin's sister in law. The federal tax stamp on the transaction shows the sale price was only \$2,000.

Balin said in a Federal Court deposition taken years later that Forman had a half-interest in the property with him—this after Forman had transferred the property back to First Mutual because it was overmortgaged.

BALIN ALSO said he later sold the Avers building to Charles Stovall, who obtained a federally insured mortgage for \$13,000—an \$11,000 profit on a building previously stripped of its \$9,000 mortgage.

Stovall, Balin admitted, was his employee.

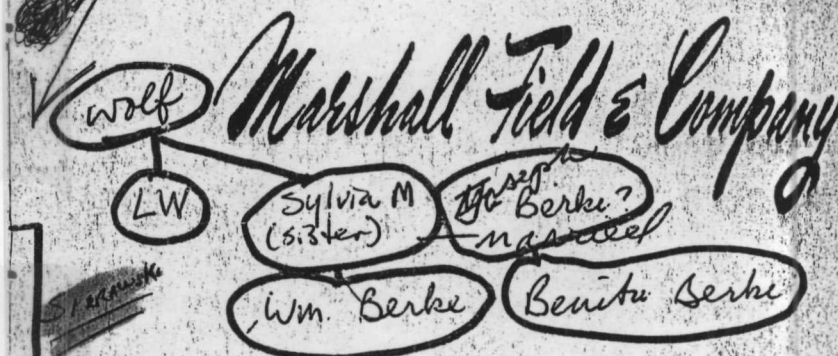
Ultimately, the federal government picked up the tab on 1235 S. Avers Av. When the city filed a demolition suit against the place, the demolition order was entered against the Department of Housing and Urban Development, which had obtained the defaulted mortgage on the building.

Probate Court records show that the Avers Avenue building was one of six overmortgaged slums Judge Dunne transferred back to First Mutual at Forman's request on July 14, 1967. Subsequent statements by Balin show that five of the six wound up in his hands, with Forman as half-owner.

But 1235 S. Avers Av. was small stuff to the slumlords. There were bigger profits to be made elsewhere.

TOMORROW: The Gutman brothers' North Side empire.

Store Hours Downtown: Monday and Thursday, 9:15 to 7:00; Tuesday, Wednesday, Friday, and Saturday, 9:15 to 5:45.



Moe Forman

same owners and managers were usually the culprits.

Ultimately, thru their inquiries, the men who were puzzled by the strange coincidences crossed one another's paths.

And they began to compare notes.

What emerged was the first glimpse of a massive slum operation that at different times may have included as many as 2,000 buildings. The investigators also were able to see for the first time the complex network of men who owned and operated the slums.

Always in the background was the name of Moe Forman. "Anything I do is an open book," Forman told Tribune reporters. "I know they think I am the man behind everything. But that's not true."

Despite Forman's disclaimers, an examination of hundreds of Circuit and Federal Court documents shows that Forman was a major financial backer of several of the slumlords he represented in court.

HIS DEALINGS on the West Side date to the 1950s, before Lawndale was a black ghetto. At that time he was a partner with the late slumlord Lou Fushanis in an enterprise called F&F Investment Co., which operated out of his office. Fushanis, probably the biggest single slumlord in the city's history, operated on a quick-resale-for-profit basis.

According to the attorney for his estate, Edward Arkema, Fushanis would buy a

building in Lawndale and immediately overmortgage it to generate enough cash to buy another building. He would then sell the building, usually to a black buyer, on contract for a whopping profit.

When Fushanis died in 1963, his more than 600 buildings passed into his estate, along with more than 200 buildings owned jointly with Forman under the name of F&F Investments.

In early 1964 Forman sued the Fushanis estate claiming Fushanis owed him \$300,000—\$124,000 of it in unpaid checks and another \$80,000 in vouchers.

"I started out by giving him [Fushanis] some financing," Forman said during an interview in his office. "But I never had anything to do with managing the property."

ANOTHER partner with Fushanis in some building was Louis Wolf, 49, who most recently developed Park Lane Mall in the 2800 block of Broadway in the heart of North Town. Wolf was also a partner of Forman in various land deals. It was discovered in 1971 when the two men admitted in Federal Court depositions that they were business partners.

Forman claimed Wolf owed him \$150,000 to \$200,000 that he had put up to finance Wolf's buildings.

Various documents filed in Probate Court show Forman's method of operation. The administrators of the Fushanis estate were quoted in a court order Nov. 23, 1965, as saying that it worked this way:

Forman and Fushanis would buy a building and put the title in Fushanis' name behind a secret land trust. Fushanis would then assign Forman half interest in the property.

A 1971 deposition explaining Forman's operations with Wolf is even more revealing:

"He would find the parcel," Forman told interrogators during a taking of a deposition. "I would put up the money to acquire it, and it would be on a partnership basis. Eventually he would take over the parcel."

HOWEVER, the records on all transactions would be kept by Forman. Wolf received the rent money from tenants, but Forman received the proceeds when the property was sold, he said.

"Anyone I am handling, he can't do without me," Forman said in the deposition. "I have all the records and all the papers. He can't complete a sale without me. All he has to do is double-cross me once and he's thru."

Forman denied to Tribune reporters that he owned property with Wolf. "We did have